

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Gogebic-Ontonagon ISD	County Ontonagon
Fiscal Year End 6/30/2006	Opinion Date 8/23/2006	Date Audit Report Submitted to State 10/18/2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

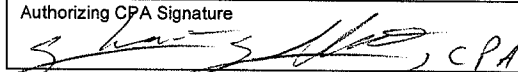
YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>	n/a	
Other (Describe)	<input checked="" type="checkbox"/>	n/a	
Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC		Telephone Number 906-774-4300	
Street Address Po Box 828		City Iron Mountain	State MI
		Zip 49801	
Authorizing CPA Signature  CPA		Printed Name Shane M. Ellison, CPA	License Number 263063

**GOGEBIC-ONTONAGON INTERMEDIATE**  
**SCHOOL DISTRICT**

**REPORT ON FINANCIAL STATEMENTS**  
(with additional information)

For the Year Ended June 30, 2006

**GOGEBIC-ONTONAGON INTERMEDIATE  
SCHOOL DISTRICT**

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**ANDERSON, TACKMAN & COMPANY, P.L.C.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

*A Regional Firm with Offices in Michigan and Wisconsin*

Principals - Iron Mountain:  
L. Robert Schaut, CPA  
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Member of:  
Private Companies Practice Section  
American Institute of Certified  
Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Education  
Gogebic-Ontonagon Intermediate School District  
Bergland, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Gogebic-Ontonagon Intermediate School District ("District") as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's Board of Education and management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the District's Board of Education and management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Gogebic-Ontonagon Intermediate School District as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2006, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the required supplemental information identified in the table of contents are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



ANDERSON, TACKMAN & COMPANY, PLC  
Certified Public Accountants

Iron Mountain, Michigan  
August 23, 2006

Gogebic-Ontonagon Intermediate School District  
Management Discussion and Analysis  
(Unaudited)  
For the Fiscal Year Ended June 30, 2006

Gogebic-Ontonagon Intermediate School District's Management Discussion and Analysis is intended to assist the reader to focus on significant financial issues, provide an overview of the District's financial activity, and identify changes in the District's financial position including its ability to address the next and subsequent years' challenges. It also identifies any material deviations from the financial plan and identifies individual fund issues or concerns. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" and is intended to provide the financial results for the fiscal year ending June 30, 2006.

***Management's Discussion and Analysis (MD&A)***  
(Required Supplemental Information)

Basic Financial Statements

***District-Wide Financial Statements***

***Fund Financial Statements***

Notes to the Basic Financial Statements

***(Required Supplemental Information)***  
(other than MD&A expanded)

As mentioned, GASB 34 requires the presentation of two basic types of financial statements: District-Wide Financial Statements and Fund Financial Statements.

**District-Wide Financial Statements**

The District-Wide Financial Statements provide a perspective of the District as a whole. These financial statements use the full accrual basis of accounting similar to private sector companies. There are two District-Wide Financial Statements: the Statement of Net Assets and the Statement of Activities.

The Statement of Net Assets combines and consolidates governmental funds: current financial resources (short-term available resources) with capital assets and long-term obligations, regardless of their current availability.

Consistent with the full accrual basis method of accounting, the Statement of Activities accounts for current year revenues and expenses regardless of when cash is received or paid. The intent of this statement is to summarize and simplify the user's analysis of the costs of various District services.

Gogebic-Ontonagon Intermediate School District  
Management Discussion and Analysis  
(Unaudited)  
For the Fiscal Year Ended June 30, 2006

**Fund Financial Statements**

The Fund Financial Statements are similar to financial presentations of years past, but the new focus is on the District's Major Funds rather than fund types as in the past. The two Account Groups: General Fixed Assets and General Long-Term Debt are no longer reported. Consistent with previous years, the fund statements are reported using the modified accrual method of accounts. Under this basis of accounting, revenues are recorded when received, except when they are measurable and available and therefore represent resources that may be appropriated. Expenditures are accounted for in the period those goods and services are used in school programs. In addition, capital asset purchases are expensed and not recorded as an asset. Debt payments are recorded as expenditures in the current year, and future debt obligations are not recorded.

Fund types include the General Fund, Special Education Fund, and Vocational Education Fund. The General Fund, Special Education Fund, and Vocational Education Fund are used primarily to account for the general education requirements of the District. Its revenues are derived from property taxes, state and federal distributions and grants, and other intergovernmental revenues.

Gogebic-Ontonagon Intermediate School District  
Management Discussion and Analysis  
(Unaudited)  
For the Fiscal Year Ended June 30, 2006

**Financial Analysis of the District as a Whole**

Summary of Net Assets

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
<b>Assets:</b>		
Current assets	\$ 1,156,893	\$ 1,312,325
Net capital assets	<u>481,317</u>	<u>435,038</u>
<b>Total assets</b>	<u>1,638,210</u>	<u>1,747,363</u>
<b>Liabilities:</b>		
Current liabilities	327,968	441,391
Long term liabilities	<u>160,584</u>	<u>164,939</u>
<b>Total liabilities</b>	<u>488,552</u>	<u>606,330</u>
<b>Net Assets:</b>		
Invested in capital assets, net of related debt	316,378	256,578
Unrestricted	<u>833,280</u>	<u>884,455</u>
<b>Total net assets</b>	<u>1,149,658</u>	<u>1,141,033</u>
<b>Total Net Assets and Liabilities</b>	<u>\$ 1,638,210</u>	<u>\$ 1,747,363</u>

The School District's net assets totaled \$1,149,658 at June 30, 2006, compared to \$1,141,033 at June 30, 2005. Total net assets can be separated into two categories: invested in capital assets, net of related debt and unrestricted assets.

Net capital assets are a combination of funds available for capital assets less accumulated depreciation and related debt. The original cost of capital assets was \$788,623 at June 30, 2006, and \$717,026 at June 30, 2005. The accumulated depreciation is the accumulation of depreciation expense since acquisition. In accordance with Generally Accepted Accounting Principles (GAAP), depreciation expense is recorded on the original cost of the asset, less any estimated salvage value, expensed over the estimated use life of the assets. Total accumulated depreciation was \$307,306 at June 30, 2006, and \$281,988 at June 30, 2005. Total debt related to capital assets was \$164,939 at June 30, 2006, and \$178,460 at June 30, 2005.



Gogebic-Ontonagon Intermediate School District  
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The remaining balance in unrestricted assets represents an excess balance of \$833,280 at June 30, 2006, and \$884,455 at June 30, 2005.

The results of this year's operations for the School District as a whole are reported in the Statement of Activities. A summary of the District-Wide results of operations for the years ended June 30, 2006 and June 30, 2005 is as follows:

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Program revenue		
Operating grants - federal state local	<u>1,558,313</u>	<u>1,538,398</u>
Total program revenue	<u>1,558,313</u>	<u>1,538,398</u>
General revenue		
Property taxes levied for general operations	1,957,023	1,883,500
State of Michigan aid, unrestricted	1,227,582	1,263,890
Other- federal, state and local	<u>120,408</u>	<u>121,173</u>
Total general revenue	<u>3,305,013</u>	<u>3,268,563</u>
Total revenue	<u>4,863,326</u>	<u>4,806,961</u>
Expenses		
Instruction	1,341,902	1,171,221
Support services	3,461,592	3,335,203
Interest on long term debt	6,014	6,706
Depreciation (unallocated)	<u>45,193</u>	<u>38,904</u>
Total expenses	<u>4,854,701</u>	<u>4,552,034</u>
Increase in net assets	8,625	254,927
Net Assets July 1	<u>1,141,033</u>	<u>886,106</u>
Net Assets June 30	<u>\$ 1,149,658</u>	<u>\$ 1,141,033</u>

Gogebic-Ontonagon Intermediate School District  
Management Discussion and Analysis  
(Unaudited)  
For the Fiscal Year Ended June 30, 2006

**GOVERNMENTAL FUNDS FINANCIAL HIGHLIGHTS**

The overall condition of the governmental funds has decreased during the fiscal year June 30, 2006, and increased during June 30, 2005 fiscal year. Several factors that contributed to the situation including increase in property taxes, operating grants and other revenue totaling \$56,365. Expenditures increased by \$332,769 mainly from increases in health insurance and retirement costs and in increase in special education payments to local districts.

**MAJOR GOVERNMENTAL FUNDS BUDGETING AND OPERATING HIGHLIGHTS**

The District's budgets are prepared according to Michigan law and are initially adopted prior to July 1 of each year, before student enrollment counts are known. Therefore, it is expected that there will be changes between the initial budget and subsequent budgets, as actual enrollments are known. The most significant fund budgeted is the General Fund, Special Education Fund, and Vocational Education Fund. The fund's operating budgets were amended twice during the fiscal year.

**General Fund Operations**

In the General Fund operations, the actual revenue for fiscal year June 30, 2006 was \$985,297. This is below the original budget of \$1,021,341 and above the final budget of \$982,122. The actual expenditures of the general fund for fiscal year June 30, 2006 operations were \$964,181. This is below the original budget of \$1,043,797 and below the final budget of \$1,002,939.

**Special Education Fund Operations**

In the Special Education Fund operations, the actual revenue for fiscal year June 30, 2006 was \$2,975,363. This is above the original budget of \$2,729,600 and above the final budget of \$2,868,955. The actual expenditures of the special education fund for fiscal year June 30, 2006 operations were \$3,075,309. This is below the original budget of \$2,729,600 and above the final budget of \$3,057,111.

**Vocational Education Fund Operations**

In the Vocational Education Fund operations, the actual revenue for fiscal year June 30, 2006 was \$883,050. This is above the original budget of \$846,347 and above the final budget of \$861,846. The actual expenditures of the vocational education fund for fiscal year June 30, 2006 operations were \$860,063. This is above the original budget of \$842,484 and below the final budget of \$865,761.

**Gogebic-Ontonagon Intermediate School District**  
**Management Discussion and Analysis**  
**(Unaudited)**  
**For the Fiscal Year Ended June 30, 2006**

**Variance Explanations from the Original Budget to Final Budget**

**General Fund:**

**Revenue:** The main differences resulted from the elimination of the computer maintenance program and increase in local, state, and federal revenue.

**Expenditures:** Differences were a reduction in pupil services, (\$14,922) instructional staff (\$58,165) and operation and maintenance (\$8,395), with an increase in general administration (\$13,527) and an increase in Capital Outlay (\$25,000).

**Special Education:**

**Revenue:** Differences were a revised increase in local (\$10,198) state (\$5,786) and federal sources (\$7,779) and a projected increase in transfers from other districts (\$62,982).

**Expenditures:** Budget estimates decreased for pupil services (\$14,922), support services, instructional staff (\$58,166), operation and maintenance (\$8,395) and transfer to local districts. These resulted from revised expenditures estimates based on conditions changing during the year.

**Vocational Education:**

**Revenue:** A reduction in a state sources not known at start of year was the main variance.

**Expenditures:** Total expenditures increased by 2.7% from the original budget to the final budget.

**Variance Explanations from the Final Budget to Actual**

**General Fund:**

**Revenue:** Had a variance of \$3,175 or less than .4% variance on the total revenue.

**Expenditures:** Variances were small and positive and not related to a specific area and were less than 5% of the total budget.

Gogebic-Ontonagon Intermediate School District  
Management Discussion and Analysis  
(Unaudited)  
For the Fiscal Year Ended June 30, 2006

**Special Education:**

**Revenue:** Variance consisted of understatements of earnings on investments (\$5,793), property taxes (\$18,159), state sources (\$29,464) consisting of understatement of in lieu of tax money and fee for service revenue and understatement of federal revenue (\$53,580).

**Expenditure:** Variance resulted from over expenditure in support services – pupil (\$37,750) and support services instructional staff (\$3,576) and an overstatement in transportation (\$12,372), operation and maintenance (\$3,812) and other services (\$5,122).

**Vocational Education:**

**Revenue:** Conservative budgeting resulted in the variance in revenue for year. Received more than what was budgeted. Variance was an underestimate of property tax revenue.

**Expenditures:** Expenditures were .7% under budget.

**TOTAL REVENUES**

Below is a summary of the governmental fund revenues and their percentages as they relate to governmental funds.

	Total Revenue <u>June 30, 2006</u>	<u>Percentage</u>	Total Revenue <u>June 30, 2005</u>	<u>Percentage</u>
State of Michigan Aid unrestricted	\$ 1,227,582	25.24%	\$ 1,263,890	26.29%
Prop taxes general operation	1,957,023	40.24%	1,883,500	39.18%
Operating grants federal state local	1,558,313	32.04%	1,538,398	32.00%
Other federal, state and local	<u>120,408</u>	<u>2.48%</u>	<u>121,173</u>	<u>2.52%</u>
Total Revenues	<u><u>\$ 4,863,326</u></u>	<u><u>100.00%</u></u>	<u><u>\$ 4,806,961</u></u>	<u><u>100.00%</u></u>

Gogebic-Ontonagon Intermediate School District  
Management Discussion and Analysis  
(Unaudited)  
For the Fiscal Year Ended June 30, 2006

**GOVERNMENTAL FUND EXPENDITURES**

Below is a summary of the governmental fund expenditures and their percentages as they relate to total governmental funds:

	Total Expenditures June 30, 2006	Percentage	Total Expenditures June 30, 2005	Percentage
General Fund	\$ 964,181	19.60%	\$ 1,062,220	23.16%
Special Education	3,075,309	62.52%	2,686,513	58.58%
Vocational Education	860,063	17.48%	837,667	18.26%
Durant	19,616	0.40%	0	0.00%
Total Expenditures	<u>\$ 4,919,169</u>	<u>100.00%</u>	<u>\$ 4,586,400</u>	<u>100.00%</u>

**Unrestricted State Aid**

Special Education is predominately funded by State Aid based on a blended count formula that the State of Michigan utilizes. State revenues to the District have increased as a result of an increase in Section 81, fee for service, and payment in lieu of tax monies.

**Property Taxes**

The District levies 3.3401 mills of property taxes on all Non-Homestead property located within the District for operations. The levy is assessed on the taxable value of the property. The increase in taxable value is limited to the lesser of the inflation rate of the prior year or 5%. When a property is sold, the taxable valuation of the sold property is readjusted to the State Equalized Value, which is approximately 50% of market value.

**Operating Grants Federal, State, and Local**

The District is heavily dependent upon Grant funding. Below are some of the major grants and their funding sources:

State:	Great Parent Great Start
Federal:	Even Start, Flow Through, Preschool, EOSD, Early On, Transition, Carl Perkins, and Tech Prep
Local:	Reading First, and Math/Science

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**ENROLLMENT**

Special Education is the only fund that receives State Aid based on student enrollment. The enrollment has remained steady, and is expected to continue at near current levels. The 2005/2006-student count was 35.87, which will become part of the Special Education foundation payments for the 2006/2007 fiscal year.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of the fiscal year 2006, the District had \$788,623 invested in land and building, furniture and equipment, vehicles and buses compared to \$717,026 at June 30, 2005. Of this amount, \$307,306 and \$281,988 have been depreciated at June 30, 2006 and June 30, 2005 respectively. Net book value totaled \$481,317 at June 30, 2006, and \$435,038 at June 30, 2005. Due to budget constraints related to the State of Michigan financial status, and flat enrollments, the ability to maintain these buildings has become increasingly difficult. The District maintains a \$1,000 threshold for capitalization of assets.

**Outstanding Debt at Year End**

As of June 30, 2006 the District had \$164,939 in bonds outstanding for the Durant Settlement, compared to \$178,460 at June 30, 2005. The District collects state funding equal to the payments on a yearly basis.

For more detailed information regarding capital assets and debt administration, please review the Notes to the Basic Financial Statements located in the financial section of this report.

**CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

This report is designed to give an overview of the financial conditions of the Gogebic-Ontonagon Intermediate School District. For additional detailed financial information contact:

Bruce F. Mayle  
Superintendent  
Gogebic-Ontonagon Intermediate School District  
202 Elm Street  
Bergland, MI 49910  
Office Telephone (906) 575-3438  
Fax Telephone (906) 575-3373

**GOGEBIC-ONTONAGON INTERMEDIATE SCHOOL DISTRICT**

**STATEMENT OF NET ASSETS**

June 30, 2006

	<u>Governmental Activities</u>
ASSETS:	
Current assets:	
Cash and equivalents	\$ 75
Investments	620,249
Receivables:	
Accounts	1,479
Due from other districts	25,998
Due from other governmental units	<u>509,092</u>
Total current assets	<u>1,156,893</u>
Noncurrent assets:	
Capital assets	788,623
Accumulated depreciation	<u>(307,306)</u>
Total noncurrent assets	<u>481,317</u>
TOTAL ASSETS	<u>1,638,210</u>
LIABILITIES:	
Current liabilities:	
Accounts payable	115,066
Accrued expenses	158,082
Accrued interest	22,344
Deferred revenue	10,319
Bonds payable	14,162
Compensated absences	<u>7,995</u>
Total current liabilities	<u>327,968</u>
Noncurrent liabilities:	
Bonds payable	150,777
Compensated absences	<u>9,807</u>
Total noncurrent liabilities	<u>160,584</u>
TOTAL LIABILITIES	<u>488,552</u>
NET ASSETS:	
Invested in capital assets, net of related debt	316,378
Unrestricted	<u>833,280</u>
TOTAL NET ASSETS	<u>\$ 1,149,658</u>

The accompanying notes to the financial statements are an integral part of this statement.





**ANDERSON, TACKMAN  
& COMPANY, P.L.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

# GOGEBIC-ONTONAGON INTERMEDIATE SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2006

	Program Revenue			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Primary Government Governmental Activities
<u>FUNCTIONS/PROGRAMS</u>				
<u>PRIMARY GOVERNMENT:</u>				
Governmental Activities:				
Instruction	\$ 1,341,902	\$ -	\$ -	\$ (1,341,902)
Support	3,461,592	-	1,558,313	(1,903,279)
Depreciation	45,193	-	-	(45,193)
Debt interest, fees and expenses	6,014	-	-	(6,014)
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>4,854,701</b>	<b>-</b>	<b>1,558,313</b>	<b>(3,296,388)</b>
General revenues:				
Property taxes				\$ 1,957,023
State revenue sharing				1,227,582
Grants and contributions not restricted to specific programs				65,745
Unrestricted investment earnings				48,824
Other				5,839
<b>Total general revenues and transfers</b>				<b>3,305,013</b>
Changes in net assets				8,625
Net assets, beginning of year				1,141,033
Net assets, end of year				<b>\$ 1,149,658</b>

The accompanying notes to the financial statements are an integral part of this statement.



# GOGEBIC-ONTONAGON INTERMEDIATE SCHOOL DISTRICT

## BALANCE SHEET GOVERNMENTAL FUNDS

June 30, 2006

	General	Special Education	Vocational Education	Durant	Total Governmental Funds
<b>ASSETS:</b>					
Cash and equivalents	\$ 50	\$ -	\$ 25	\$ -	\$ 75
Investments	191,631	229,261	199,357	-	620,249
Accounts receivable	140	933	406	-	1,479
Due from other funds	10,079	-	-	-	10,079
Due from other districts	50,135	1,673	-	-	51,808
Due from other governments	78,759	354,036	76,297	-	509,092
<b>TOTAL ASSETS</b>	<u>\$ 330,794</u>	<u>\$ 585,903</u>	<u>\$ 276,085</u>	<u>\$ -</u>	<u>\$ 1,192,782</u>
<b>LIABILITIES:</b>					
Accounts payable	\$ 24,464	\$ 82,183	\$ 8,419	\$ -	\$ 115,066
Accrued expenses	16,880	122,172	19,030	-	158,082
Due to other funds	-	3,241	6,838	-	10,079
Due to other districts	-	-	25,810	-	25,810
Deferred revenue	10,319	-	-	-	10,319
<b>TOTAL LIABILITIES</b>	<u>51,663</u>	<u>207,596</u>	<u>60,097</u>	<u>-</u>	<u>319,356</u>
<b>FUND BALANCE AND OTHER CREDITS:</b>					
Fund balances:					
Unreserved-Designated	7,455	43,583	13,314	-	64,352
Unreserved-Undesignated	271,676	334,724	202,674	-	809,074
<b>TOTAL FUND BALANCE AND OTHER CREDITS</b>	<u>279,131</u>	<u>378,307</u>	<u>215,988</u>	<u>-</u>	<u>873,426</u>
<b>TOTAL LIABILITIES, FUND BALANCE AND OTHER</b>	<u>\$ 330,794</u>	<u>\$ 585,903</u>	<u>\$ 276,085</u>	<u>\$ -</u>	<u>\$ 1,192,782</u>

ANDERSON, TACKMAN  
& COMPANY, P.L.C.  
CERTIFIED PUBLIC ACCOUNTANTS



The accompanying notes to the financial statements are an integral part of this statement.

**GOGEBIC-ONTONAGON INTERMEDIATE  
SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS**

For the Year Ended June 30, 2006

Total fund balances for governmental funds	\$ 873,426
--	------------

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land and land improvements	\$ 49,383
Buildings	427,717
Equipment	221,729
Vehicles	<u>89,794</u>

Total capital assets	788,623
Accumulated depreciation	<u>(307,306)</u>

Net capital assets	481,317
--------------------	---------

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net assets.

Accrued interest on long-term debt	\$ (22,344)
Bonds payable	(164,939)
Compensated absences	<u>(17,802)</u> <span style="float:right"><u>(205,085)</u></span>

Total net assets of governmental activities	\$ <u>1,149,658</u>
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ANDERSON, TACKMAN  
& COMPANY, P.L.C.  
CERTIFIED PUBLIC ACCOUNTANTS



**GOGEBIC-ONTONAGON INTERMEDIATE SCHOOL DISTRICT**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2006

	<u>General</u>	<u>Special Education</u>	<u>Vocational Education</u>	<u>Durant</u>
REVENUES:				
Local Sources	\$ 256,199	\$ 1,264,864	\$ 580,048	\$ -
State Sources	359,405	725,141	89,181	19,616
Federal Sources	281,475	960,631	213,821	-
TOTAL REVENUES	<u>897,079</u>	<u>2,950,636</u>	<u>883,050</u>	<u>19,616</u>
EXPENDITURES:				
Instruction:				
Current	-	1,039,146	307,474	-
Capital outlay	-	259	2,500	-
Supporting services:				
Current	631,098	1,596,403	507,961	-
Capital outlay	108,083	31,674	42,128	-
Debt service	-	-	-	19,616
TOTAL EXPENDITURES	<u>739,181</u>	<u>2,667,482</u>	<u>860,063</u>	<u>19,616</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>157,898</u>	<u>283,154</u>	<u>22,987</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
Payments received from other governmental units	88,218	24,727	-	-
Payments to other governmental units	(225,000)	(407,827)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(136,782)</u>	<u>(383,100)</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	21,116	(99,946)	22,987	-
FUND BALANCE, JULY 1	<u>258,015</u>	<u>478,253</u>	<u>193,001</u>	<u>-</u>
FUND BALANCE, JUNE 30	<u>\$ 279,131</u>	<u>\$ 378,307</u>	<u>\$ 215,988</u>	<u>\$ -</u>

  
**ANDERSON, TACKMAN  
& COMPANY, P.L.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

Total  
Governmental  
Funds

\$ 2,101,111  
1,193,343  
1,455,927  
  
4,750,381

1,346,620  
2,759

2,735,462  
181,885  
19,616

4,286,342

464,039

112,945  
  
(632,827)

(519,882)

(55,843)  
  
929,269

\$ 873,426

The accompanying notes to the financial statements are an integral part of this statement.

**GOGEBIC-ONTONAGON INTERMEDIATE**  
**SCHOOL DISTRICT**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2006

Net changes in fund balances – total governmental funds	\$ (55,843)
---	-------------

The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay \$106,931 exceeded depreciation expense	61,738
---	--------

Undepreciated balance of retired fixed assets	(15,459)
---	----------

Bond and loan proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.	61,738
--	--------

Principal repayments:	
Durant bond	13,521

Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the following net changes:

Compensated absences	4,587
Accrued interest	<u>81</u>

Changes in net assets of governmental activities	\$ <u>8,625</u>
--	-----------------



**GOBEGIC-ONTONAGON INTERMEDIATE  
SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying basic financial statements of the Gogebic-Ontonagon Intermediate School District ("District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units, as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the District are described below:

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. Some of the significant changes in the statement include the following:

An Administration's Discussion and Analysis section providing an analysis of the District's overall financial position and results of operations.

Financial statements prepared using full accrual accounting for all the District's activities.

A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The District has elected to implement the provisions of the Statement.

**A. Reporting Entity**

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP, currently GASB Statement #14, *The Financial Reporting Entity*.

The criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity's financial statements include budget adoption, taxing authority, funding, appointment of the respective governing board, and scope of public service.

Based on the foregoing criteria, it has been determined that there are no component units of the Gogebic-Ontonagon Intermediate School District.

**B. Basic Financial Statements – Government-Wide Statements**

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities except for fiduciary activities.



**GOGEBIC-ONTONAGON INTERMEDIATE  
SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2006

(Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

In the government-wide Statement of Net Assets, both the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.).

The District does not allocate indirect costs. In creating the government-wide financial statements the District has eliminated interfund transactions.

The government-wide focus is on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities,

**C. Basic Financial Statements – Fund Financial Statements**

The accounts of the District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped into generic fund types in two broad fund categories as follows:

Governmental Funds - Governmental funds are used to account for the acquisition, use and balances of expendable financial resources and the related current liabilities, except for those accounted for in fiduciary funds. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting.

General Fund - The General Fund is the primary operating fund of the District. It is used to account for all financial transactions of the District, except those required to be accounted for in other funds.



**GOGEBIC-ONTONAGON INTERMEDIATE  
SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2006

(Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basic Financial Statements – Fund Financial Statements (Continued)**

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or capital projects) that are legally restricted to expenditures for specified purposes. The District uses the Special Revenue Fund to account for the Gogebic-Ontonagon Intermediate School District's activity.

Account Groups - Account groups are used to establish accounting control and accountability for the District's general fixed assets and long-term obligations. The following are the District's account groups:

General Fixed Assets – This group of accounts was established to account for all general fixed assets of the District.

General Long-Term Obligations - This group of accounts has been established to account for unmatured general long-term obligations and certain other liabilities of the District not expected to be liquidated through the use of available expendable financial resources.

**D. Measurement Focus and Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus. The governmental-wide statement uses the economic resources measurement focus.

Accrual

Governmental activity in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available (susceptible to accrual). "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers property taxes as available if they are collected within 60 days after the year end. A one year period is used for revenue recognition for all other governmental fund revenues. Those revenues prone to accrual are property taxes, federal aid, interest-revenue, and charges for services.





**GOGEGIC-ONTONAGON INTERMEDIATE  
SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2006

(Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Measurement Focus and Basis of Accounting (Continued)**

The District reports deferred revenue on its governmental fund balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

State Foundation Revenue - For the fiscal year ended June 30, 2006, the State of Michigan adopted a foundation grant approach which provides for a specific annual amount of revenue per student based on a state wide formula. In previous years, the state utilized a district power equalizing approach. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2006, the foundation allowance was based on the average of pupil membership counts taken in February and September of 2005.

Expenditures and related liabilities are recognized when obligations are incurred as a result of the receipt of goods and services. Modifications include:

Principal and interest on general long-term debt are recorded as fund liabilities when due, or when amounts have been accumulated in the debt service fund for payments of principal and interest to be made early in the following year.

**E. Cash and Equivalents**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition. Cash and equivalent balances for individual funds are pooled unless maintained in segregated accounts.

**F. Interfund Balances and Transfers**

The current portion of lending/borrowing arrangements between funds are identified as "due to/from other funds". The non-current portion of outstanding balances between funds are reported as "advances to/from other funds". Advances between funds are offset by a fund balance reserve account to indicate that they are not available for appropriation and are not expendable available financial resources.

Transfers represent a flow of assets without equivalent flows of assets in return or a requirement for repayment.



**GOGEBIC-ONTONAGON INTERMEDIATE  
SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2006

(Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Inventories and Prepaid Items**

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories in the Special Revenue Fund consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Inventories for commodities are recorded as revenue when utilized. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**H. Capital Assets**

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-20 years

The District has adopted a capitalization policy of \$1,000.

**I. Long-Term Debt**

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group.

**J. Compensated Absences**

Amounts representing accumulated vacation and personal leave expected to be liquidated with expendable available financial resources are reported as an expenditure and a fund liability of the government fund that will pay it.

**GOGEBIC-ONTONAGON INTERMEDIATE  
SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2006

(Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**K. Property Taxes**

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied as of December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. School District property tax revenues are recognized as revenue when levied to the extent they result in current receivables (collected within sixty days after year end). Amounts received subsequent to August 31 are recognized as revenue when collected.

The District, along with certain other governmental units, is permitted by the Constitution of the State of Michigan of 1963 to levy combined taxes up to \$50 per \$1,000 of assessed valuation for general governmental services other than the payment of Debt Service Fund expenses if approved by a majority of the electors. The District must include certain tax levies of other governmental units located within the District, primarily the county, when determining the maximum millage of \$50 per \$1,000 of assessed valuation. For the year ended June 30, 2006, the District levied the following amounts per \$1,000 of assessed valuation:

Fund Mills

General Fund - Non-Homestead	.3162
Special Education	2.1076
Vocational Education	.9163

**L. Unemployment Insurance**

The District reimburses the Michigan Employment Security Commission (MESC) for the actual amount of unemployment benefits disbursed by the MESC on behalf of the District. Billings received for amounts paid by the MESC through June 30 are accrued.

**M. Fund Balance**

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes or indicates that a component of net current assets does not constitute "available spendable resources". Designated fund balances represents amounts set aside by the governing body for specific purposes.



**GOGEBIC-ONTONAGON INTERMEDIATE  
SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2006

(Continued)

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**N. Budgets**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds. All annual appropriations lapse at fiscal year end. The District follows these procedures in establishing the budgetary date reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budget is at the functional level as set forth in the combined statement of revenues, expenditures and changes in fund balances - budget and actual - all governmental fund types.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated, or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred unless authorized in the budget, or in excess of the amount appropriated. Any material expenditures in violation of the budgeting act are disclosed in the footnotes.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund.
6. The budget as presented, has been amended. Supplemental appropriations were made during the year with the last one approved prior to June 30th.

The budget for the year ended June 30, 2006 was adopted on June 30, 2005 and formally amended on January 21, 2006 and June 30, 2006.

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board of Education) for the General Fund and Special Revenue Funds are presented as Required Supplemental Information.

**GOGEBIC-ONTONAGON INTERMEDIATE  
SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2006

(Continued)

**NOTE 2 - CASH AND EQUIVALENTS**

Deposits

The District's cash and equivalents, as reported in the Statement of Net Assets, consisted of the following:

Petty cash	<u>\$75</u>
------------	-------------

Michigan statutes authorize the District to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days of date of purchase, bankers' acceptances of United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds.

Deposit Risk

*Custodial credit risk.* Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. State law does not require and the District does not have a policy for deposit custodial credit risk. As of June 30, 2006, the District's checking accounts were not exposed to credit risk because they were fully insured.

Investments

The District's investments, as reported in the Statement of Net Assets, consisted of the following:

Michigan Liquid Asset Fund (MILAF)	<u>\$620,249</u>
------------------------------------	------------------

Michigan statutes authorize the District to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days of date of purchase, bankers' acceptances of United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds.

Investments are recorded at fair market value, which is based on quoted market prices.

*Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the District's investments. The District's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District's investments are with the Michigan Liquid Asset Fund (MILAF) which consists of different funds including mutual funds with a high degree of liquidity, thus the District's investments are not subject to interest rate risk.



**GOGEBIC-ONTONAGON INTERMEDIATE  
SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2006

(Continued)

**NOTE 3 - INTERFUND BALANCES AND TRANSFERS**

Interfund receivables and payables for the year ended June 30, 2006 are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General Fund:		Special Education:	
Special Education	\$ 3,241	General Fund	\$ 3,241
Vocational Education	<u>6,838</u>	Vocational Education:	
		General	<u>6,838</u>
Total	<u>\$10,079</u>	Total	<u>\$10,079</u>

**NOTE 4 - CAPITAL ASSETS**

A summary of changes in capital assets for the year ended June 30, 2006 follows:

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2006</u>
Land and improvements	\$ 49,383	\$ -	\$ -	\$ 49,383
Building	427,717	-	-	427,717
Equipment	148,944	72,785	-	221,729
Vehicles	<u>90,982</u>	<u>34,146</u>	<u>(35,334)</u>	<u>89,794</u>
TOTALS	717,026	<u>\$ 106,931</u>	<u>\$ (35,334)</u>	788,623
Accumulated Depreciation	<u>(281,988)</u>	<u>\$ (45,193)</u>	<u>\$ 19,875</u>	<u>(307,306)</u>
Net Fixed Assets	<u>\$ 435,038</u>			<u>\$ 481,317</u>

Depreciation for the year ended June 30, 2006, amounted to \$45,193. The District determined that it was impractical to allocate depreciation to various governmental activities as the assets serve multiple functions.

**GOGEBIC-ONTONAGON INTERMEDIATE  
SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2006

(Continued)

**NOTE 5 - LONG-TERM OBLIGATIONS**

During the year ended June 30, 2006, the following changes occurred in long-term obligations:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006	Amounts Due Within One Year
Durant Bonds	\$ 178,460	\$ -	\$(13,521)	\$ 164,939	\$ 14,162
Vested Sick Leave	22,389	753	(5,340)	17,802	7,995
Total	<u>\$ 200,849</u>	<u>\$ 753</u>	<u>\$(18,861)</u>	<u>\$ 182,741</u>	<u>\$ 22,157</u>

**NOTE 6 - BONDS AND NOTES PAYABLE**

Long-term obligations at June 30, 2006 is comprised of the following amounts:

1. 1998 Durant Bonds, in the original amount of \$279,340 due in annual installments from \$19,613 to \$92,569 through May, 15, 2013, with interest at 4.76%. \$164,939

The annual State of Michigan appropriation is the only revenue source for making the annual payments on the Durant Bonds. The District is under no obligation to make the annual payment in any year the legislature fails to appropriate the proper amount of funds.

2. Vested sick leave 17,802
- Total \$182,741

The annual requirements to amortize long-term obligations outstanding as of June 30, 2006 are as follows:

Year Ended June 30	Bond Issues		Sick Leave	Total
	Principal	Interest		
2007	\$ 14,162	\$ 5,451	\$ 7,995	\$ 27,608
2008	65,468	27,101	9,807	102,376
2009	15,546	4,070	-	19,616
2010	16,286	3,330	-	19,616
2011	17,060	2,556	-	19,616
2012-2016	<u>36,417</u>	<u>2,813</u>	<u>-</u>	<u>39,230</u>
TOTALS	<u>164,939</u>	<u>45,321</u>	<u>17,802</u>	<u>\$ 228,062</u>

Interest expense for the year ended June 30, 2006 was \$6,095.



**GOGEBIC-ONTONAGON INTERMEDIATE  
SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2006

(Continued)

**NOTE 7 - FUND BALANCES**

Portions of fund balances are reserved or designated and not available for general purposes other than fund usage as follows.

	<u>Unreserved Designated</u>
General Fund:	
Future sick leave benefits	\$ 7,455
Special Education:	
Future sick leave benefits	43,583
Vocational Education:	
Future sick leave benefits	<u>13,314</u>
TOTAL	<u>\$64,352</u>

**NOTE 8 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN**

**Plan Description** – The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer, defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the District. The system provides retirement, survivor and disability benefits to plan members and their beneficiaries. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 7150 Harris Drive, P.O. Box 30673, Lansing, MI 48909-8103.

**Funding Policy** – Employer contributions to the system result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis.

The pension benefit rate totals 14.87 percent for the period July 1, 2005 through September 30, 2005 and 16.34 percent for October 1, 2005 through June 30, 2006 of the covered payroll to the plan. Basic plan members make no contributions, but Member Investment Plan members contribute at rates ranging from 3 percent to 4.3 percent of gross wages. The District's contributions to the MPERS plan for the years ended June 30, 2006, 2005, and 2004 were \$283,109, \$249,929, and \$223,239.

**Post Employment Benefits** – Under the MPERS Act, all retirees participating in the MPERS Pension Plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost of Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverages. Required contributions for post employment health care benefits are included as part of the District's total contribution to the MPERS plan discussed above.





**GOGEBIC-ONTONAGON INTERMEDIATE  
SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2006

(Continued)

**NOTE 9 - RISK MANAGEMENT**

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participated in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums to each pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said year, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. Each of the pools maintain reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance.

**NOTE 10 - USE OF ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 11 - SIGNIFICANT ESTIMATES**

Included in footnote 8 is a summary of the employee retirement plan provisions and actuarial assumptions. The actuarial assumptions are very critical to the computation of actuarial determined liabilities of the plan. If the assumptions differ from actual results annual contributions to the defined benefit plan can substantially change.

**NOTE 12 - COMPENSATED ABSENCES**

At June 30, 2006 accumulated non-vested sick time amounted to \$51,518. Non-vested, unused sick time does not vest and so is not included in the general long-term debt account group.

**NOTE 13 - COMMITMENTS**

The District had entered into a transportation service contract with a third-party to provide busing to District students. The contract is for the period July 1, 2005 to June 30, 2008. Estimated contract costs are \$145,000 for June 30, 2007 and \$150,000 for June 30, 2008.



**REQUIRED SUPPLEMENTAL INFORMATION**

**GOGEBIC-ONTONAGON INTERMEDIATE SCHOOL DISTRICT****SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
GENERAL FUND**

For the Year Ended June 30, 2006

	Budgeted Amounts		Actual (Budgetary Basis) (Note 1)
	Original	Final	
REVENUES:			
Local sources	\$ 234,082	\$ 244,280	\$ 256,199
State sources	347,219	353,005	359,405
Federal sources	286,612	294,391	281,475
TOTAL REVENUES	867,913	891,676	897,079
EXPENDITURES:			
Supporting services	818,797	777,939	739,181
TOTAL EXPENDITURES	818,797	777,939	739,181
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	49,116	113,737	157,898
OTHER FINANCING SOURCES (USES):			
Payments received from other governmental units	153,428	90,446	88,218
Payments to other governmental units	(225,000)	(225,000)	(225,000)
TOTAL OTHER FINANCING SOURCES (USES)	(71,572)	(134,554)	(136,782)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(22,456)	(20,817)	21,116
FUND BALANCE, JULY 1	258,015	258,015	258,015
FUND BALANCE, JUNE 30	\$ 235,559	\$ 237,198	\$ 279,131

The accompanying notes to the financial statements are an integral part of this statement.



**GOGEBIC-ONTONAGON INTERMEDIATE SCHOOL DISTRICT****SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
SPECIAL EDUCATION FUND**

For the Year Ended June 30, 2006

	Budgeted Amounts		Actual (Budgetary Basis) (Note 1)
	Original	Final	
REVENUES:			
Local sources	\$ 1,217,727	\$ 1,240,227	\$ 1,264,864
State sources	682,549	695,677	725,141
Federal sources	821,324	907,051	960,631
TOTAL REVENUES	2,721,600	2,842,955	2,950,636
EXPENDITURES:			
Instruction	955,037	1,024,664	1,039,405
Supporting services	1,648,443	1,619,786	1,628,077
TOTAL EXPENDITURES	2,603,480	2,644,450	2,667,482
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	118,120	198,505	283,154
OTHER FINANCING SOURCES (USES):			
Payments received from other governmental units	8,000	26,000	24,727
Payments to other governmental units	(126,120)	(412,661)	(407,827)
TOTAL OTHER FINANCING SOURCES (USES)	(118,120)	(386,661)	(383,100)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	-	(188,156)	(99,946)
FUND BALANCE, JULY 1	478,253	478,253	478,253
FUND BALANCE, JUNE 30	\$ 478,253	\$ 290,097	\$ 378,307

The accompanying notes to the financial statements are an integral part of this statement.



**GOGEBIC-ONTONAGON INTERMEDIATE SCHOOL DISTRICT**

**SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
VOCATIONAL EDUCATION FUND**

For the Year Ended June 30, 2006

	Budgeted Amounts		Actual (Budgetary Basis) (Note 1)
	Original	Final	
REVENUES:			
Local sources	\$ 519,864	\$ 558,844	\$ 580,048
State sources	117,000	89,181	89,181
Federal sources	209,483	213,821	213,821
 TOTAL REVENUES	 846,347	 861,846	 883,050
EXPENDITURES:			
Instruction	325,046	318,922	309,974
Supporting services	517,438	546,839	550,089
 TOTAL EXPENDITURES	 842,484	 865,761	 860,063
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,863	(3,915)	22,987
 FUND BALANCE, JULY 1	 193,001	 193,001	 193,001
 FUND BALANCE, JUNE 30	 \$ 196,864	 \$ 189,086	 \$ 215,988

ANDERSON, TACKMAN  
& COMPANY, P.L.C.  
CERTIFIED PUBLIC ACCOUNTANTS



The accompanying notes to the financial statements are an integral part of this statement.

**GOGEBIC-ONTONAGON INTERMEDIATE**  
**SCHOOL DISTRICT**

**FEDERAL SINGLE AUDIT REPORTS**

For the Year Ended June 30, 2006

**ANDERSON, TACKMAN  
& COMPANY, P.L.C.**  
CERTIFIED PUBLIC ACCOUNTANTS



**GOGEBIC-ONTONAGON INTERMEDIATE  
SCHOOL DISTRICT**

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Board of Education  
Gogebic-Ontonagon Intermediate School District  
Bergland, Michigan

We have audited the financial statements of Gogebic-Ontonagon Intermediate School District as of and for the year ended June 30, 2006, and have issued our report thereon dated August 23, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Gogebic-Ontonagon Intermediate School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Gogebic-Ontonagon Intermediate School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson Tackman & Co., PLLC*

ANDERSON, TACKMAN & COMPANY, PLC  
Certified Public Accountants

Iron Mountain, Michigan  
August 23, 2006

ANDERSON, TACKMAN  
& COMPANY, P.L.C.  
CERTIFIED PUBLIC ACCOUNTANTS





**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB  
CIRCULAR A-133**

Board of Education  
Gogebic-Ontonagon Intermediate School District  
Bergland, Michigan

**Compliance**

We have audited the compliance of Gogebic-Ontonagon Intermediate School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. Gogebic-Ontonagon Intermediate School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Gogebic-Ontonagon Intermediate School District's management. Our responsibility is to express an opinion on Gogebic-Ontonagon Intermediate School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Gogebic-Ontonagon Intermediate School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Gogebic-Ontonagon Intermediate School District's compliance with those requirements.

In our opinion, Gogebic-Ontonagon Intermediate School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

**Internal Control Over Compliance**

The management of Gogebic-Ontonagon Intermediate School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Gogebic-Ontonagon Intermediate School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB  
CIRCULAR A-133**

(Continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson Tackman & Co. PLLC*

ANDERSON, TACKMAN & COMPANY, PLC  
Certified Public Accountants

Iron Mountain, Michigan  
August 23, 2006

ANDERSON, TACKMAN  
& COMPANY, P.L.C.  
CERTIFIED PUBLIC ACCOUNTANTS



# GOGEBIC-ONTONAGON INTERMEDIATE SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2006

Awarding Agency/ Award Description	Federal Catalog Number	Approved Grant Award Amount	July 1, 2005	
			Accrued Receivable	Deferred Revenue
<u>GENERAL FUND</u>				
Flow Through - Michigan <u>Department of Education</u>				
<u>U.S. Department of Education</u>				
<u>Even Start</u>	84.213			
Source Project #040390B0539CES		225,000	66,125	-
Source Project #060390C0617CES		225,000	-	-
		450,000	66,125	-
<u>Title V</u>	84.298			
Source Project #0502500405		1,079	1,079	-
Source Project #0602500506		662	-	-
		1,741	1,079	-
<u>Improving Teacher Quality</u>	84.367			
Source Project #0505200405		204	7	-
Source Project #0605200506		118	-	-
		322	7	-
<b>TOTAL MICHIGAN DEPARTMENT OF EDUCATION</b>		<b>452,063</b>	<b>67,211</b>	-
<u>Flow Through Department of Education</u>				
<u>Small Rural School Achievement</u>	84.358A			
Source Project #S358A032654		18,408	5,873	-
Source Project #S358A052654		18,620	-	-
		37,028	5,873	-
<u>Flow Through Local Districts</u>				
<u>Eisenhower</u>	84.281			
Source Project #Unknown		24,040	-	1,107
Source Project #Unknown		23,511	-	-
		47,551	-	1,107
<u>Flow Through Dickinson-Iron ISD</u>				
<u>Teaching American History</u>	84.215X			
Source Project #U215X040066		24,328	-	-
<u>Flow Through Department of Human Services</u>				
<u>FIA Grant</u>	93.556			
Source Project #SFSC 01-66001		20,826	1,784	-
<b>TOTAL GENERAL FUND</b>		<b>\$ 581,796</b>	<b>\$ 74,868</b>	<b>\$ 1,107</b>



ANDERSON, TACKMAN  
& COMPANY, P.L.C.  
CERTIFIED PUBLIC ACCOUNTANTS



<u>Prior Year Expenditures</u>	<u>Current Year Expenditures</u>	<u>Current Year Receipts</u>	<u>June 30, 2006 Accrued / (Deferred) Revenue</u>
225,000	-	66,125	-
-	225,000	217,661	7,339
<u>225,000</u>	<u>225,000</u>	<u>283,786</u>	<u>7,339</u>
1,079	-	1,079	-
-	662	586	76
<u>1,079</u>	<u>662</u>	<u>1,665</u>	<u>76</u>
204	-	7	-
-	118	-	118
<u>204</u>	<u>118</u>	<u>7</u>	<u>118</u>
<u>226,283</u>	<u>225,780</u>	<u>285,458</u>	<u>7,533</u>
18,408	-	5,873	-
-	15,560	14,180	1,380
<u>18,408</u>	<u>15,560</u>	<u>20,053</u>	<u>1,380</u>
22,933	1,107	-	-
-	13,192	23,511	(10,319)
<u>22,933</u>	<u>14,299</u>	<u>23,511</u>	<u>(10,319)</u>
-	23,684	-	23,684
<u>18,673</u>	<u>2,153</u>	<u>3,937</u>	<u>-</u>
<u>\$ 286,297</u>	<u>\$ 281,476</u>	<u>\$ 332,959</u>	<u>\$ 22,278</u>

The accompanying notes to the financial statements are an integral part of this statement.

# GOGEBIC-ONTONAGON INTERMEDIATE SCHOOL DISTRICT

## **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the Year Ended June 30, 2006

<u>Awarding Agency/ Award Description</u>	<u>Federal Catalog Number</u>	<u>Approved Grant Award Amount</u>	<u>July 1, 2005</u>	
			<u>Accrued Receivable</u>	<u>Deferred Revenue</u>
<u>SPECIAL EDUCATION FUND</u>				
<u>Flow Through - Michigan Department of Education</u>				
<u>U.S. Department of Education</u>				
<u>94-142 Flow Through</u>	84.027			
Source Project #0404500304		\$ 580,123	\$ 21,650	\$ -
Source Project #0504500405		655,710	23,726	-
Source Project #0604500506		669,768	-	-
		<u>1,905,601</u>	<u>45,376</u>	<u>-</u>
<u>94-142 Pre-School</u>	84.173			
Source Project #0604600506		22,583	-	-
<u>Infant &amp; Toddler</u>	84.181			
Source Project #051340190		75,595	13,041	-
Source Project #061340190		74,239	-	-
		<u>149,834</u>	<u>13,041</u>	<u>-</u>
<u>Special Education State Initiated</u>	84.027			
Source Project #050490TS		60,000	12,743	-
Source Project #050490CB		8,683	6,867	-
Source Project #060490TS		60,000	-	-
Source Project #060480EOSD		45,000	-	-
		<u>173,683</u>	<u>19,610</u>	<u>-</u>
<b>TOTAL MICHIGAN DEPARTMENT OF EDUCATION</b>		<u>2,251,701</u>	<u>78,027</u>	<u>-</u>
<u>Flow Through Grand Valley State</u>				
<u>Flowthrough - Autism</u>	84.027A			
Source Project #Unknown		2,000	-	962
<u>Flow Through MAISD</u>				
<u>UP Cares Grant</u>	84.027A			
Source Project #0504901D20		6,645	329	-
Source Project #0604903D51		8,757	-	-
		<u>15,402</u>	<u>329</u>	<u>-</u>
<u>Medicaid Outreach</u>	93.778	12,745	-	-
<b>TOTAL SPECIAL EDUCATION FUND</b>		<u>\$ 2,281,848</u>	<u>\$ 78,356</u>	<u>\$ 962</u>



**ANDERSON, TACKMAN  
& COMPANY, P.L.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

<u>Prior Year Expenditures</u>	<u>Current Year Expenditures</u>	<u>Current Year Receipts</u>	<u>June 30, 2006 Accrued / (Deferred) Revenue</u>
\$ 580,123	\$ -	\$ 21,650	\$ -
569,018	86,692	92,257	18,161
-	646,603	507,266	139,337
<u>1,149,141</u>	<u>733,295</u>	<u>621,173</u>	<u>157,498</u>
-	22,583	19,009	3,574
53,041	22,554	35,595	-
-	57,399	16,075	41,324
<u>53,041</u>	<u>79,953</u>	<u>51,670</u>	<u>41,324</u>
60,000	-	12,743	-
8,683	-	6,867	-
-	60,000	37,527	22,473
-	45,000	42,525	2,475
<u>68,683</u>	<u>105,000</u>	<u>99,662</u>	<u>24,948</u>
<u>1,270,865</u>	<u>940,831</u>	<u>791,514</u>	<u>227,344</u>
1,038	962	-	-
6,645	-	329	-
-	6,093	-	6,093
<u>6,645</u>	<u>6,093</u>	<u>329</u>	<u>6,093</u>
-	12,745	12,745	-
<u>\$ 1,278,548</u>	<u>\$ 960,631</u>	<u>\$ 804,588</u>	<u>\$ 233,437</u>

The accompanying notes to the financial statements are an integral part of this statement.

**GOGEBIC-ONTONAGON INTERMEDIATE SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the Year Ended June 30, 2006

<u>Awarding Agency/ Award Description</u>	<u>Federal Catalog Number</u>	<u>Approved Grant Award Amount</u>	<u>July 1, 2005</u>	
			<u>Accrued Receivable</u>	<u>Deferred Revenue</u>
<b><u>VOCATIONAL EDUCATION FUND</u></b>				
<b><u>Flow Through - Michigan Department of Education</u></b>				
<b><u>U.S. Department of Education</u></b>				
<b><u>Regional Allocation</u></b>	84.048			
Source Project #053520501201		144,968	58,477	-
Source Project #0635206012-1		<u>134,757</u>	<u>-</u>	<u>-</u>
		<u>279,725</u>	<u>58,477</u>	<u>-</u>
<b><u>Vocational Education Tech-Prep Education</u></b>				
	84.243			
Source Project #053540501401		64,515	4,398	-
Source Project #0635406014-1		<u>72,503</u>	<u>-</u>	<u>-</u>
		<u>137,018</u>	<u>4,398</u>	<u>-</u>
<b>TOTAL MICHIGAN DEPARTMENT OF EDUCATION</b>		<u>416,743</u>	<u>62,875</u>	<u>-</u>
<b><u>Flow Through UP Ent. Development Agency</u></b>				
<b><u>UP Entrepreneur Grant</u></b>	17.267			
Source Project #650W0201		<u>9,610</u>	<u>3,049</u>	<u>-</u>
<b>TOTAL VOCATIONAL EDUCATION FUND</b>		<u>426,353</u>	<u>65,924</u>	<u>-</u>
<b>TOTAL ALL FUNDS FEDERAL FINANCIAL AWARDS</b>		<u>\$ 3,289,997</u>	<u>\$ 219,148</u>	<u>\$ 2,069</u>



**ANDERSON, TACKMAN  
& COMPANY, P.L.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

<u>Prior Year Expenditures</u>	<u>Current Year Expenditures</u>	<u>Current Year Receipts</u>	<u>June 30, 2006 Accrued / (Deferred) Revenue</u>
144,968	-	58,477	-
-	134,757	109,820	24,937
<u>144,968</u>	<u>134,757</u>	<u>168,297</u>	<u>24,937</u>
64,515	-	4,398	-
-	72,503	34,093	38,410
<u>64,515</u>	<u>72,503</u>	<u>38,491</u>	<u>38,410</u>
<u>209,483</u>	<u>207,260</u>	<u>206,788</u>	<u>63,347</u>
3,049	6,561	9,610	-
<u>212,532</u>	<u>213,821</u>	<u>216,398</u>	<u>63,347</u>
<u>\$ 1,777,377</u>	<u>\$ 1,455,928</u>	<u>\$ 1,353,945</u>	<u>\$ 319,062</u>

The accompanying notes to the financial statements are an integral part of this statement.



**GOGEBIC-ONTONAGON INTERMEDIATE SCHOOL DISTRICT**

**SCHEDULE OF FEDERAL AWARDS PROVIDED TO SUBRECIPIENTS**

For the Year Ended June 30, 2006

Awarding Agency/ Award Description	Federal Catalog Number	Subrecipient Grant Award Amount	July 1, 2005		Prior Year Expenditures	Current Year Transfers	Amounts Reported By Subrecipient	June 30, 2006 Due To / Due From Subrecipient
			Due To Subrecipient	Due From Subrecipient				
<b><u>SPECIAL EDUCATION FUND</u></b>								
U.S. Department of Education Small Rural School Achievement Source Project #S358A052654	84.358A							
Subrecipient Wakefield-Marenisco School District		\$ 725	\$ -	\$ -	\$ -	\$ 725	\$ 725	\$ -
Ontonagon Area Schools		740	-	-	-	740	740	-
Shiawassee RESD		250	-	-	-	250	250	-
Ironwood Area Schools		140	-	-	-	140	140	-
Sub-Total		1,855	-	-	-	1,855	1,855	-
<b><u>Flow Through - Department of Education</u></b>								
Even Start Source Project #060390C0617CES	84.213							
Subrecipient Ironwood Schools		225,000	-	-	-	225,000	225,000	-
<b><u>Regional Education</u></b>								
Source Project #06352/6012-1	84.048							
Subrecipient Copper Country ISD		80,492	-	-	-	80,492	80,492	-
<b><u>Vocation Education Tech-Prep Education</u></b>								
Source Project #063540/6014-1	84.243							
Subrecipient Copper Country ISD		32,626	-	-	-	32,626	32,626	-
Gogebic Community College		18,126	-	-	-	18,126	18,126	-
Sub-Total		50,752	-	-	-	50,752	50,752	-
Total Awards Provided to Subrecipients		\$ 358,099	\$ -	\$ -	\$ -	\$ 358,099	\$ 358,099	\$ -

The accompanying notes to the schedule of federal financial awards are an integral part of this statement.

**GOGEBIC-ONTONAGON INTERMEDIATE**  
**SCHOOL DISTRICT**

**NOTES TO SCHEDULE OF FEDERAL FINANCIAL AWARDS**  
For the Year Ended June 30, 2006

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of expenditures of federal awards is a summary of the activity of Gogebic-Ontonagon Intermediate School District's federal award programs and presents transactions that are included in the financial statements of the District presented on the accrual basis of accounting, as contemplated by accounting principles generally accepted in the United States of America.

**NOTE 2 - FOOD DISTRIBUTION**

Non-monetary assistance is reported in the schedule using the Recipient Entitlement Balance Report and other district records. Spoilage or pilferage, if any, is included in expenditures.

**NOTE 3 - COST REPORTS**

Management has reported the expenditures in the Schedule of Expenditures of Federal Awards equal to those amounts reported in the annual or final cost reports.

**NOTE 4 - GRANTS SECTION AUDITORS' REPORT**

Management has utilized the Grants Section Auditors' Report (Form R7120) in preparing the Schedule of Expenditures of Federal Awards.



**GOGEBIC-ONTONAGON INTERMEDIATE  
SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2006**

**A. SUMMARY OF AUDITORS' RESULTS**

1. The auditors' report expresses an unqualified opinion of the general purpose financial statements of Gogebic-Ontonagon Intermediate School District.
2. There were no reportable conditions relating to the audit of the general purpose financial statements.
3. There were no instances of noncompliance material to the general purpose financial statements of Gogebic-Ontonagon Intermediate School District.
4. There were no reportable conditions relating to the audit of the major federal award programs as reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for Gogebic-Ontonagon Intermediate School District expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award programs for Gogebic-Ontonagon Intermediate School District.
7. The programs tested as major programs included: CFDA No. 84.213 Even Start, CFDA No. 84.048 Regional Allocation and CFDA No. 17.267 UP Entrepreneur Grant.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Gogebic-Ontonagon Intermediate School District was determined to be a low-risk auditee.

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

1. There were no findings or questioned costs.

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT**

1. There were no findings or questioned costs.

**D. SUMMARY OF PRIOR FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

1. There were no prior findings or questioned costs.

